



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## HB 26-1327: LARGE EMPLOYER WORKER HEALTH-CARE SUPPORT

#### Prime Sponsors:

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Sen. Mullica

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**Bill Outcome:** Postponed Indefinitely

**Drafting number:** LLS 26-0442

**Version:** Final Fiscal Note

**Date:** May 26, 2026

**Fiscal note status:** The final fiscal note reflects the reengrossed bill. The bill was postponed indefinitely by the Senate Finance Committee on May 7, 2026; therefore, the impacts identified in this analysis do not take effect.

### Summary Information

**Overview.** The bill would have created the Large Employer Health-Care Support Enterprise in the Department of Health Care Policy and Financing to collect fees from large employers of state Medicaid-enrolled individuals.

**Types of impacts.** The bill was projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- State Transfers
- TABOR Refunds

**Appropriations.** No appropriation was required from the Large Employer Health Care Support Fund, as it would have been continuously appropriated to the Department of Health Care Policy and Financing; however, federal funds and reappropriated funds would have been required and were included.

**Table 1**  
**State Fiscal Impacts**

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30	FY 2030-31 and Ongoing
State Revenue	\$0	\$0	\$50.0 million	\$50.0 million	\$82.0 million
State Expenditures	\$0.2 million	\$1.2 million	\$1.9 million	\$1.0 million	\$1.0 million
Loans and Repayments	\$830,427	\$0	\$899,918	\$0	\$0
TABOR Refunds	\$59,625	\$270,300	not estimated	not estimated	not estimated
Change in State FTE	1.3 FTE	6.4 FTE	6.4 FTE	6.4 FTE	6.4 FTE

Expenditures reflect the net change in expenditures after accounting for increased cash fund spending offsetting General Fund spending. Fund sources for these impacts are shown in the tables below.

**Table 1A  
 State Revenue**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>	<b>FY 2030-31 and Ongoing</b>
General Fund	\$0	\$0	\$0	\$0	\$0
Cash Funds	\$0	\$0	\$50.0 million	\$50.0 million	\$82.0 million
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$50.0 million</b>	<b>\$50.0 million</b>	<b>\$82.0 million</b>

**Table 1B  
 State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>	<b>FY 2030-31 and Ongoing</b>
General Fund	\$0	\$0	-\$48,357,785	-\$48,991,345	-\$81,000,145
Cash Funds	\$88,179	\$672,636	\$49,738,877	\$49,472,519	\$81,481,319
Federal Funds	\$88,179	\$426,846	\$412,846	\$412,846	\$412,846
Central. Approp.	\$24,588	\$114,635	\$114,635	\$114,635	\$114,635
<b>Total</b>	<b>\$200,947</b>	<b>\$1,214,118</b>	<b>\$1,908,573</b>	<b>\$1,008,655</b>	<b>\$1,008,655</b>
<b>Total FTE</b>	<b>1.3 FTE</b>	<b>6.4 FTE</b>	<b>6.4 FTE</b>	<b>6.4 FTE</b>	<b>6.4 FTE</b>

**Table 1C  
 State Loans and Repayments**

<b>Fund Source</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>	<b>FY 2030-31 and Ongoing</b>
General Fund	-\$830,427	\$0	\$899,918	\$0	\$0
Cash Funds	\$830,427	\$0	-\$899,918	\$0	\$0
<b>Net Transfer</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Summary of Legislation

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The bill creates the Large Employer Health-Care Support Enterprise in the Department of Health Care Policy and Financing (HCPF) to collect fees from large employers with employees who qualify for, and are enrolled in, the state's Medicaid program.

### Applicability and Exemptions

The bill applies to employers with 500 or more employees enrolled in the state Medicaid program, not including the following exempted members:

- those who are under 18 years old;
- those who are seasonally employed;
- those whose medical service premiums are funded through hospital provider fees; and
- those who qualify for Social Security Disability Insurance (SSDI), Social Security Income (SSI), or the Medicaid Buy-In Program.

The bill further exempts employers who:

- provide affordable health coverage to all workers working 20 or more hours per week or 80 or more hours per month, as defined by the ACA;
- are franchisees;
- are registered nonprofits;
- are public employers; or
- have collective bargaining agreements with their employees that include affordable health care coverage.

### Large Employer Health-Care Support Enterprise

The Large Employer Health-Care Support Enterprise is created to fund medical assistance benefits for qualifying employees at large employers who are enrolled in the state's Medicaid program and to provide reimbursement grants to large employers whose workers buy into employer-sponsored health plans.

### Large Employer Report

By January 31, 2028, and each year thereafter, employers with over 500 total employees must submit a report to the enterprise with certain information, including the average number of individuals employed, employees' names and dates of birth, dates of employment, and the average number of hours worked per month.

### Fee Assessment

By March 31, 2028, and each year thereafter, the enterprise must identify each large employer using the submitted reports, determine the number of eligible Medicaid workers per employer, calculate and impose the fee, and notify the employer and the Department of Revenue (DOR).

The fee must be reasonably based on the cost of medical services provided to large employer workers, which may be adjusted annually, and must be set so as to collect less than \$100 million over the enterprise's first five years. For employers that neglect or refuse to submit the large employer report, the enterprise must estimate the fee amount using the best available information.

Within 60 days of receiving notice, large employers may file a written request for review of the enterprise's assessment and by August 1, 2028, and each year thereafter, large employers must pay the fee. Fee revenue is paid to the DOR on behalf of the enterprise, and credited to the newly created and continuously appropriated Large Employer Health-Care Support (LEHCS) Cash Fund. DOR is also authorized to add interest and penalties to unpaid fees, and enforce collection.

## Fund Use

The enterprise may spend funds from the LEHCS Cash Fund to pay medical service premiums for workers enrolled in Medicaid, ensure access to health care providers, provide reimbursement grants, and cover administrative costs incurred in HCPF and the DOR. By September 1, 2028 and each year thereafter, the board must determine the percent allocation of fee revenue for these uses. Prior to the start of fee collection, the State Treasurer may transfer money from the General Fund to the LEHCS Cash Fund to cover initial costs of the enterprise.

## Enterprise Governance

The enterprise is governed by a board of directors, who may adopt rules, impose fees on large employers, assess penalties, and implement the new program. The enterprise may contract with HCPF for office space and administrative staff, and must use the Department of Law for legal services. The enterprise must submit an annual report to the General Assembly regarding its activities and funding.

Finally, the bill contains a severability clause.

## Background and Assumptions

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### Eligible Population

The fiscal note estimates that approximately 17,800 workers enrolled in Medicaid meet the criteria of the bill and are employed by employers subject to the bill's enterprise fee. This estimate is based on statewide adult Medicaid data, labor force participation data, and assumptions regarding employer size and exemption status.

## Colorado Medicaid Enrollment Data

In 2025, Colorado’s Medicaid program enrolled approximately 1.2 million Coloradans, of which an estimated 195,000 (16 percent) were adults 18 years and older who received full Medicaid benefits and did not qualify through disability criteria. Individuals receiving partial benefits, or dual enrollment, are assumed to primarily reflect an older, non-working population, and are therefore excluded from the estimated in Table 2A.<sup>1</sup>

**Table 2A**  
**Colorado’s Applicable Adult Medicaid Population, 2025**

<b>Population Category</b>	<b>Current Enrollment</b>	<b>Applicable Percentage</b>	<b>Applicable Population</b>
Mandatory adults	160,719	100.0%	160,719
Children and adolescents <sup>2</sup>	494,521	4.8%	23,737
Adults 65+ with full Medicaid benefits <sup>3</sup>	49,452	22.2%	10,978
People with disabilities	86,541	0%	0
Partial benefits	86,541	0%	0
Expansion adults	358,528	0%	0
<b>Total Population</b>	<b>1,236,302</b>		<b>195,434</b>

Initial estimated percentages shown in Table 2A are derived from [HCPF’s FY 2024-25 Report to the Community](#). Estimated applicable percentages are derived from source data and adjusted to reflect Colorado’s working adult Medicaid population for whom the bill would apply.

However, the bill applies only to employers with 500 or more Medicaid-enrolled workers and it excludes employers meeting certain exemption criteria. Because available data do not identify Medicaid-enrolled workers by both employer size and exemption status, the fiscal note applies proxy assumptions as follows.

## Employer Size Assumptions

First, the fiscal note assumes that approximately 16 percent of working Medicaid adults are employed by large firms, based on statewide employment patterns for full-time and part-time workers in large organizations.<sup>4</sup> Applying these proportions to the 195,000 applicable Medicaid adults identified above results in about 32,000 Medicaid-enrolled workers employed by firms meeting the bill’s large-employer threshold (or 2.6 percent of the total Medicaid population), as shown in Table 2B.

<sup>1</sup> Department of Health Care Policy and Financing, [March 2026 Newsletter](#).

<sup>2</sup> Colorado Health Institute, [Colorado Health Access Survey](#), 2025.

<sup>3</sup> Colorado Department of Labor and Employment, [Current Population Survey Demographic Data](#), 2025.

<sup>4</sup> Colorado Health Institute, [Colorado Health Access Surveys](#), 2017-2021.

**Table 2B**  
**Working Adult Medicaid Population, Large Firms**

<b>Worker Status</b>	<b>Estimated Percentage</b>	<b>Estimated Population</b>
Working Full-time	9.4%	18,349
Working Part-time	6.8%	13,274
<b>Estimated Working Adults</b>	<b>16.2%</b>	<b>31,622</b>

### Exemption Status Assumptions

Second, the fiscal note assumes that approximately 44 percent of these Medicaid-enrolled workers are employed by firms qualifying for one or more statutory exemptions. These exemptions include nonprofit employers (7.5 percent),<sup>5</sup> public employers (9.3 percent),<sup>6</sup> franchisees (6.2 percent),<sup>7</sup> employers with collective bargaining agreements (6.7 percent),<sup>8</sup> and employers offering affordable health coverage (24.4 percent of full-time workers and 8.8 percent of part-time workers),<sup>9</sup> as outlined in Table 2C.

**Table 2C**  
**Working Adult Medicaid Population by Exemption Status**

<b>Exemption Status</b>	<b>Estimated Percentage</b>	<b>Estimated Population</b>
Nonprofit employer	7.5%	2,365
Public employer	9.3%	2,941
Franchisee	6.2%	1,964
Collective bargaining agreement	6.7%	2,119
ACA full-time coverage	24.4%	7,706
ACA part-time coverage	8.8%	2,787
Total Exempt (Low-Overlap)	62.9%	19,882
Total Exempt (High-Overlap)	24.4%	7,706
<b>Total Exempt (Average)</b>	<b>43.6%</b>	<b>13,794</b>
<b>Total Non-Exempt (Average)</b>	<b>56.4%</b>	<b>17,828</b>

ACA coverage percentages shown in Table 2C are derived from source data and adjusted to reflect the same working Medicaid population used for other exemption criteria.

<sup>5</sup> Colorado Nonprofit Association, [Economic Impact Analysis](#), 2024.

<sup>6</sup> Obtained from the Department of Health Care Policy and Financing, 2025.

<sup>7</sup> International Franchise Association, [Local Impact of Franchising in Colorado](#), 2025.

<sup>8</sup> U.S. Bureau of Labor Statistics, [Union Members in Colorado](#), 2025.

<sup>9</sup> KFF, [Medicaid Workers and Job-Based Insurance](#), 2026.

Because the fiscal note cannot determine the degree to which these exemption categories overlap, it models a range of outcomes. Under a low-overlap assumption, approximately 19,900 workers would be exempt, representing the cumulation of each unique category. Under a high-overlap assumption, approximately 7,700 workers would be exempt, representing the minimum number of unique workers. Given this uncertainty, the fiscal note assumes a midpoint exemption rate, resulting in approximately 17,800 Medicaid-enrolled workers employed by non-exempt large firms that are subject to the enterprise fee, or 1.4 percent of total Medicaid enrollees.

## Changing Landscape of Enterprise Fund Use and Effect on HB 26-1327

### Colorado Healthcare Affordability and Sustainability Enterprise (CHASE)

The Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) is a government-owned business within HCPF that collects a hospital provider fee from hospitals. Fee revenue is used, along with federal matching funds, to increase hospital reimbursement under Medicaid, fund hospital quality incentive payments, and expand health care coverage, including for the Medicaid expansion population. In practice, CHASE revenue finances a significant share of the state's costs for the expansion population. If fee revenue is insufficient to cover medical service premiums for the expansion population, the General Assembly may choose to provide additional funding from other sources, including the General Fund.

### H.R. 1: The One Big Beautiful Bill Act

In 2025, the federal government enacted H.R. 1, known as the One Big Beautiful Bill Act, which includes changes to Medicaid eligibility, enrollment processes, and program administration. Provisions such as community engagement requirements and more frequent redeterminations are expected to reduce Medicaid enrollment in Colorado's expansion population.

Beginning in 2027, H.R. 1 reduces allowable hospital provider fee rates by 0.5 percentage points annually until reaching 3.5 percent. Over five years, these reductions are estimated to decrease hospital provider fee revenue by approximately \$575 million and associated federal matching funds by between \$900 million and \$2.5 billion.<sup>10</sup> To the extent hospital provider fee revenue collected by CHASE decreases, the General Assembly may need to either identify alternative funding sources or reduce program costs, including through enrollment reductions, provider rate changes, or service limitations.

### Medical Service Premiums

Beginning in FY 2027-28, enterprise revenue is assumed to be used to support medical assistance benefits in the state Medicaid program. Based on the anticipated impacts of H.R. 1

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<sup>10</sup> Legislative Council Staff, [Medicaid Impacts from the One Big Beautiful Bill Act](#), 2025.

discussed above, the fiscal note assumes that LEHCS enterprise fee revenue will be used to backfill reduced hospital provider funding and continue financing a portion of the state's costs for the Medicaid expansion population. Further, it is assumed that all enterprise revenue, after accounting for administrative costs, will be used to support the same services and populations as under current practice. Thus, no change to federal matching funds or contributions from the Health Affordability and Sustainability (HAS) Cash Fund are estimated. However, federal matching rates and HAS Cash Fund contributions may vary depending on the exact populations served and benefits provided.

## Reimbursement Grants

The bill permits the enterprise to expend revenue through reimbursement grants to large employers whose workers buy into employer-sponsored health plans. However, because there is no added incentive under the bill for Medicaid workers to purchase employer-sponsored health plans, the fiscal note assumes that all revenue, after accounting for administrative costs, will be used for medical service premiums instead.

## Enterprise Revenue Restrictions

Proposition 117, approved by voters in 2020, requires voter approval for a state enterprise to be created if its projected or actual revenue exceeds \$100 million in its first five fiscal years. State law requires that an enterprise stop collecting fees or surcharges if the collection of additional fees or surcharges would cause it to exceed this limit, and voters have not previously approved such collections. The bill requires the board to set fee amounts so as to collect less than \$100 million, with the fifth year ending on July 1, 2030. After FY 2029-30, it is assumed that the enterprise will increase fees on employers to reflect actual medical service costs.

## Collective Bargaining Agreements

To the extent that large employers choose to enter into collective bargaining agreements with employees rather than pay the fee, revenue will decrease relative to this fiscal note estimate. Medicaid expenditures may also decrease from individuals shifting costs onto private insurers. The fiscal note assumes that employers will not seek to enter into these agreements and will pay the applicable fee.

## State Revenue

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The bill increases state cash fund revenue by an estimated \$50.0 million in FY 2028-29 and FY 2029-30 to the LEHCS Cash Fund in HCPF from increased fees imposed on certain large employers. Beginning in FY 2030-31, revenue will increase to an estimated \$82.0 million per year, as shown in Table 3 and discussed below. The bill may also increase state revenue from

penalties, bonds, and gifts, grants, and donations. Enterprise revenue and gifts, grants, and donations are exempt from TABOR revenue limits.

**Table 3**  
**Large Employer Health-Care Support Enterprise Revenue**

<b>Fund Source</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>	<b>FY 2030-31 and Ongoing</b>
Large Employer Fee	\$2,800	\$2,800	\$4,600
Medicaid-Enrolled Workers	about 17,800	about 17,800	about 17,800
<b>Total Revenue</b>	<b>about \$50.0M</b>	<b>about \$50.0M</b>	<b>about \$82.0M</b>

Fee revenue will not be received in FY 2026-27 or FY 2027-28, and has been omitted from Table 3.

### Fee Impact on Large Employers

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. As discussed in the Background and Assumptions section above, the fiscal note assumes that about 17,800 Medicaid-enrolled workers are employed by employers subject to the fee. To stay under the \$100 million cap, it is estimated that fee revenue will increase by approximately \$50.0 million per year in the first two years of collection (which fall at the end of the five-year period).

In future years, it is assumed that the enterprise will increase fees on employers to approximately \$4,600 per eligible employee, which represents the average medical cost incurred per Medicaid member. Actual fee revenue depends on actions taken by large employers, Medicaid enrollment trends, and fee setting decisions made by the enterprise. An estimate on the exact number of employers affected by the new fee is not available, but is assumed to be less than 50 businesses.

### Interest and Administrative Penalties

Under the bill, large employers that fail to pay applicable fees are subject to interest on unpaid fees and administrative penalties imposed by the Department of Revenue. It is assumed that large employers will comply with the bill and that interest and penalties will not be imposed.

### Bond Revenue

The enterprise is allowed to issue revenue bonds. The decision to issue bonds and the amount of any bonds will be made by the enterprise board; thus, bond revenue, if any, cannot be estimated by the fiscal note.

### Gifts, Grants, and Donations

The bill potentially increases state revenue to the LEHCS Cash Fund from gifts, grants, or donations; however, no sources have been identified at this time.

**State Loans and Repayments**

The fiscal note assumes that the State Treasurer will transfer about \$830,400 from the General Fund to the LEHCS Cash Fund in FY 2026-27 to cover the state’s share of program implementation costs. This transfer is a loan to the enterprise and must be repaid with interest to the General Fund by July 1, 2029. The fiscal note assumes that the loan will be repaid in one installment in FY 2028-29 with an interest rate of approximately 4.1 percent; therefore, loan repayment is expected to be about \$899,900. Interest income repaid to the General Fund is subject to TABOR.

**State Expenditures**

The bill increases state expenditures by \$201,000 in FY 2026-27, \$1.2 million in FY 2027-28, \$1.9 million in FY 2028-29 and \$1.0 million in future years. These costs, paid from the General Fund, federal funds, and the LEHCS Cash Fund, will be incurred in the Department of Health Care Policy and Financing and the Department of Revenue. The bill also increases workload in several other state agencies.

**Table 4  
 State Expenditures  
 All Departments**

<b>Department</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>	<b>FY 2030-31 and Ongoing</b>
HCPF	\$200,947	\$968,328	\$1,840,246	\$940,328	\$940,328
Revenue	\$0	\$245,790	\$68,327	\$68,327	\$68,327
<b>Total Costs</b>	<b>\$200,947</b>	<b>\$1,214,118</b>	<b>\$1,908,573</b>	<b>\$1,008,655</b>	<b>\$1,008,655</b>

HCPF expenditures reflect the net impact, after accounting for fee revenue being used to offset General Fund costs for Medicaid. See Table 4A for more detail.

**Department of Health Care Policy and Financing**

The bill increases expenditures in HCPF to establish and administer the enterprises, as shown in Table 4A and discussed below. Medical service premium costs will also shift from the General Fund to the Large Employer Fee Cash Fund, but are not expected to materially change on net.

**Table 4A  
State Expenditures  
Department of Health Care Policy and Financing**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>	<b>FY 2030-31 and Ongoing</b>
Personal Services	\$108,454	\$452,993	\$452,993	\$452,993	\$452,993
Operating Expenses	\$1,280	\$6,400	\$6,400	\$6,400	\$6,400
Capital Outlay Costs	\$7,000	\$28,000	\$0	\$0	\$0
Contracting Fees	\$0	\$91,000	\$91,000	\$91,000	\$91,000
Meeting Costs	\$0	\$5,000	\$5,000	\$5,000	\$5,000
Medical Services (Fee Revenue)	\$0	\$0	\$48,357,785	\$48,991,345	\$81,000,145
Medical Services (General Fund)	\$0	\$0	-\$48,357,785	-\$48,991,345	-\$81,000,145
Loan Repayment	\$0	\$0	\$899,918	\$0	\$0
Legal Services	\$59,625	\$270,300	\$270,300	\$270,300	\$270,300
Centrally Appropriated Costs	\$24,588	\$114,635	\$114,635	\$114,635	\$114,635
FTE – Personal Services	1.0 FTE	5.0 FTE	5.0 FTE	5.0 FTE	5.0 FTE
FTE – Legal Services	0.3 FTE	1.1 FTE	1.1 FTE	1.1 FTE	1.1 FTE
<b>Total Costs</b>	<b>\$200,947</b>	<b>\$968,328</b>	<b>\$1,840,246</b>	<b>\$940,328</b>	<b>\$940,328</b>
General Fund	\$0	\$0	-\$48,357,785	-\$48,991,345	-\$81,000,145
LEHCS Fees	\$88,179	\$426,846	\$49,670,550	\$49,404,192	\$81,412,992
Federal Funds	\$88,179	\$426,846	\$412,846	\$412,846	\$412,846
Centrally Appropriated Costs	\$24,588	\$114,635	\$114,635	\$114,635	\$114,635
<b>Total FTE</b>	<b>1.3 FTE</b>	<b>6.1 FTE</b>	<b>6.1 FTE</b>	<b>6.1 FTE</b>	<b>6.1 FTE</b>

### Staff

In FY 2026-27, HCPF requires 1.0 FTE to serve as the department’s enterprise lead, coordinate the creation of the enterprise, engage with large employers, establish administrative policies, and present department recommendations to the board. Beginning in FY 2027-28, HCPF requires an additional 4.0 FTE to collect data from agencies and businesses, integrate data validation processes, determine employers subject to the fee, manage revenue collection, and perform accounting and administrative duties.

### Contracting Fees

Beginning in FY 2026-27, HCPF requires an estimated \$91,000 to hire a contractor that will support enterprise analytics, evaluation, research, stakeholder engagement, and report submissions. Based on the scope of the new program, the fiscal note estimates that a contractor will perform about 390 hours of work at a rate of \$234 per hour. Actual costs will be determined through the procurement process.

## Meeting Costs

HCPF requires \$5,000 per year to host the enterprise board and reimburse members for meetings. This estimate is based on similar meeting costs for enterprises administered by the state.

## Medical Service Premiums

As discussed in the Background and Assumptions section, the fiscal note assumes that fee revenue raised in the enterprise will be fully expended each year to backfill lost hospital provider fee revenue. Therefore, no net change in costs is expected. However, funding sources for these costs will shift from the General Fund to the LEHCS Cash Fund, as shown in Table 4A. After accounting for administrative costs in HCPF and DOR, it is estimated that about \$48.4 million will be available from employer fees in FY 2028-29, \$49.0 million in FY 2029-30, and \$81.0 million in future years. Actual cost shifting for medical service premiums depends on a wide array of factors; therefore, any change as a result of the bill will be addressed through the annual budget process.

## Legal Services

HCPF requires 450 hours of legal services in FY 2026-27 and 2,080 hours in future years for rulemaking, program implementation, and ongoing support. Legal services are provided by the Department of Law at a rate of \$132.50 per hour.

## Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in the table above.

## Department of Revenue

The DOR requires computer programming and data reporting costs to implement the bill. Costs are paid from the LEHCS Cash Fund, as shown in Table 4B and discussed below.

**Table 4B  
 State Expenditures  
 Department of Revenue**

<b>Cost Component</b>	<b>Budget Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>	<b>Out Year FY 2028-29</b>	<b>Out Year FY 2029-30</b>
GenTax Programming	\$0	\$167,096	\$0	\$0
Office of Research and Analysis	\$0	\$8,778	\$8,702	\$8,702
User Acceptance Testing	\$0	\$10,291	\$0	\$0
Legal Services	\$0	\$59,625	\$59,625	\$59,625
FTE – Personal Services	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE
FTE – Legal Services	0.0 FTE	0.3 FTE	0.3 FTE	0.3 FTE
<b>Total Costs</b>	<b>\$0</b>	<b>\$245,790</b>	<b>\$68,327</b>	<b>\$68,327</b>
<b>Total FTE</b>	<b>0.0 FTE</b>	<b>0.3 FTE</b>	<b>0.3 FTE</b>	<b>0.3 FTE</b>

### Computer Programming and Testing

This bill requires one-time expenditures of \$177,387 in FY 2027-28 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at \$146,514 representing 600 hours of contract programming at a rate of \$244.19 per hour. Costs for system testing include \$20,582 for 502 hours of innovation, strategy, and delivery programming support and \$10,291 for 251 hours of user acceptance testing, both at a rate of \$41 per hour.

### Research and Analysis

Expenditures in the Office of Research and Analysis are required for changes in the related GenTax reports so that the department can access and document tax statistics related to the new tax policy. The Office of Research and Analysis within DOR will expend \$8,778 in FY 2027-28 and \$8,700 in FY 2028-29 and ongoing, representing about 230 hours at a rate of \$38 per hour.

### Legal Services

DOR requires 450 hours of legal services per year beginning in FY 2027-28 for rulemaking, fee collection, and enforcement. Legal services are provided by the Department of Law at a rate of \$132.50 per hour.

### Governor's Office

Workload will minimally increase for the Governor's Office of Boards and Commissions to make the required enterprise board appointments under the bill. This work can be accomplished within existing appropriations.

## **Department of Labor and Employment**

The Department of Labor and Employment is assumed to have increased workload to enter into a data-sharing agreement with HCPF to provide employer and employee information necessary to identify large employers and number of applicable employees.

## **Cash Fund Creation—Departments of Personnel and Treasury**

Workload will increase for the Departments of Personnel and Administration (DPA) and Treasury to manage and perform accounting for the cash fund created in the bill. While no appropriation is required at this time, these departments may seek additional funding through the annual budget process based on the cumulative impact of all cash funds created through legislation.

## **TABOR Refunds**

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As a general matter, revenue collected and retained or spent by a TABOR-exempt enterprise is not subject to the state revenue limit. However, when an enterprise uses its revenue to purchase services from state government outside the enterprise (e.g., legal services, fleet management, information technology support), these payments become subject to the TABOR revenue limit. In addition, interest paid by the enterprise as part of its loan repayment to the General Fund is also assumed to be subject to TABOR.

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by \$59,625 in FY 2026-27 and \$270,300 in FY 2027-28 from enterprise payments to the Department of Law for legal services. This estimate assumes the March 2026 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save in FY 2026-27, FY 2027-28, and any future years when the state is over its revenue limit.

## **Effective Date**

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The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

## State Appropriations

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The LEHCS Cash Fund is continuously appropriated to the Department of Health Care Policy and Financing, so no additional appropriation is required from this fund. It is estimated that an additional \$88,179 in federal funds will be received by the Department of Health Care Policy and Financing in FY 2026-27, which may be noted in the Long Bill or otherwise tracked for informational purposes. Lastly, the Department of Law requires, and the bill includes, \$59,625 in reappropriated funds from HCPF, and 0.3 FTE.

## State and Local Government Contacts

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Governor's Office	Regulatory Agencies
Health Care Policy and Financing	Revenue
Labor	Treasury
Law	

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The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).